equity in Videsh Sanchar Nigam Limited to M/s Panatone Finvest Ltd., a Tata group company, and handing over the management control to the strategic partner, the company has been privatised *w.e.f.* 13.2.2002.

Downward Trend in IT sector

2360. SHRI H.K. JAVARE GOWDA: Will the Minister of COMMUNICATIONS AND INFORMATIONTECHNOLOGY be pleased to state:

(a) whether it is a fact that IT sector in the country has been slowed down in the year 2002-2003;

b) if so, the steps Government propose to take for achieving the propriety in the sector; and

(c) whether there would be demand for Indian IT professionals across the world in near future, if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICAITONS AND INFORMATIONTECHNOLOGY (DR. SANJAY PASWAN): (a) No, Sir. The IT sector in India is likely to witness a growth of over 26% during the year 2002-03.

(b) Various steps taken by the Government to strengthen the Indian IT industry are given in the enclosed Statement. (*See* below)

(c) The demand for Indian IT professionals across the world continues to exist.The situation is further likely to improve in the days to come. It is estimated that in USA there would be a demand of 100,000 IT professional by the year 2005.

Statement

Steps taken by the Government to promote the Information Technology Sector

1. Export Promotion Capital Goods scheme (EPCG) has been rationalised and extended uniformly to all sectors without any threshold limit on payment of 5% duty.
2. Approvals for all foreign direct investment proposals relating to the Information Technology sector, with the exception of Business-to-consumer (B2C) e-commerce are under the automatic route.

3. Electronics Hardware Technology Park (EHTP) and Software Technolgoy Part (STP) Schemes are implemented under the aegis of the Department of Information Technology, Ministry of Communications and Information Technology, through a single window mechanism of the Inter-Ministerial Standing Committee (IMSC).

4. Supplies of Information Technology Agreement (ITA-1) items in the Domestic Tariff Area (DTA) by EHTP / EOU / EPZ units shall be counted towards fulfillment of minimum Net Foreign Exchange earning as a percentage of exports (NFEP) and the minimum Export Performance (EP), provided that the items are manufactured in the unit and attract zero rate of basic customs duty. Positive NFEP is required to the achieved in 5 years instead of every year.

5. DTA access upto 50% of the FOB value of export is permited for electronics hardweare units under EOU / EPZ / EHTP schemes and the software units under EOU / EPZ/STP schemes.

6. Accelerted depreciation norms extended to computers and computer peripherals to all units and capital goods of IT hardware units under Export Oriented schemes (EOU/EPZ/STP/EHTP).These shall stand depreciated to overall limit of 90% over a period of 3 years.

7. Special Economic Zones are being set up to enable hassle free manufactuiring and trading for export purposes.

8. The Depreciation on Computers is allowed @ 60%.

9. In the Budget 2002-03, the peak rate of customs duty has been reduced from 35% to 30%. Customs duty has been reduced on stepper motors for computers/Printers from 5% to 0% floppy diskette and unrecorded magnetic tape from 15% to 10% ink cartridges/ ribbon assembly/ribbon gear assembly/ribbon gear carriage for use in printers for computers from 25% to 5%, 56 items of capital goods for manufacture of semiconductors from 5% to 0%, 24 items of capital goods (around 200 sub-items) for manufacture of electronic components from 25-35% to 15%, tools/moulds/dies for electronics industry from 25% to 15% and on 46 items of raw materials for manufacture of electronic components from 25-35% to 5%.

Customs duty on Computers and peripherals continues to be @ 15% and all storage devices, integrated circuits, microprocessors, data display tubes and deflection components of colour monitors continue at 0%. The concessional rate of customs duty @ 5% for specified raw materials for the electronics industry (121 items) continues. Customs duty on Information Technology Agreement (ITA-1) items of WTO (IT and Teclecom prodcuts) continues @ 15% parts of Telecom continue @ 5% parts, components and accessories of mobile handsets including cellular telephones continue at 0%.

10. The Central Excise duty structure was rationalized from multiple rate of single rate of 16% and single rate of Special Duty (SED) @ 16% in the Budget 2001-02 and continues.

11. Information Technology Software is exempted from Customs and Excise Duty.

12. Second hand capital goods upto 10 years are freely importable.

13. EOU/EPZ/STP/EHTP units are eligible for Income Tax benefit on export profits, upto 2010, in terms of Sections 10A and 10B of the Income Tax Act.

14. Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) is available to the IT Sector.

15. Definition of Computer Software, as in Section 80 HHE of the Income Tax Act covers transmission of data.

16. Benefit of Section 80 HHE is available to supporting software developers.

17. IT Enabled Services are eligible for Income Tax benefit under Section 10A, 10B and 80HHE of the Income Tax Act.

18. DEPB rate will be same for a product whether exported as CBU or in CKD/SKD condition.

19. Threshold limit for obtaining "Export House" status reducted to Rs. 5 crores from Rs. 15 crores for Small Scale Industry, tiny sector, cottage sector, units located in North East States/Sikkim/J&K;

exporters exporting to countries in Latin America/CIS/Sub Sahara Africa and units having ISO 9000(Series) status. The status holders are eligible for the following new/special facilities.

- 100% retention of foreign exchange in Exchange Earners' Foreign Currency (EEFC) account;
- Enhancement in normal repatriation period from 180 days to 360 days.

20. The donation of computers, imported duty free by EOU/EPZ/STP/EHTP units to recognised non-commercial educational institutions, registered charitable hospitals, public libraries, public funded research and development establishment, etc. two years after their use by the said units is permitted.

21. The second-hand computers and computer peripherals donated by an outside donor to Government schools and recognised schools run on a non-commercial basis by any organisation are exempted from customs duties.

22. Income by way of dividends or long-term capital gains of a Venture Captial Fund or Venture Capital company from investment made by way of equity shares in a Venture Capital Undertaking, which has been expanded to include the Software and IT Sectors, will henceforth not be included in computing the total income.

23. To give thrust to Ventrue Capital finance, SEBI has been made the single point nodal agency for registration and regulation of both domestic and overseas venture capital funds.

24. There will be no tax on distributed or undistributed income of Ventrue Capital Funds. The income distributed by the VCFs will only be taxed in the hands of the investors at the rates applicable to the nautre of the income. VCFs will continue to be eligible for exemption even if the shares of the VC undertaking in which the VCFs have made the inatial investment are subsequently listed in a recognised stock exchange in India.

25. Under policy on portfolio investment, Foreign Institutional Investors (FIIS) are permitted to invest in a company upto an aggregate of 24% of equity shares, extendable upto 40% subject to approvals. This limit was raised from 40% to 49% in the Budget 2001-02.

26 Tax holiday under provisions of Section 80-1A (Infrastructure Status) has been extended to Internet Service Providers (ISPs) and Broadband Network Providers.

27. Two-way fungibility has been permitted for ADRs/GDRs. Local shares can be reconverted into ADRs/GDRs subject to sectoral caps.

28. With a view to give a boost the manufacturing sector, it is proposed in the Budget announcements 2002-03, to allow a deduction of a further sum of 15% of the actual cost of such machinery or plant acquired and installed after 31.3.2002 in case of new industrial undertaking or substantial expansion by an existing industrial undertaking. The proposed amendment will take effect from 1.4.2003 and will, accordingly, apply in relation to the assessment year 2003-04 and subsequent years.

29. To encourage re-location of industries to India, plant and machineries would be permitted to be imported without a license, where the depreciated value of such relocating plants exceeds Rs. 50 crores.

30. Indian Companies wishing to invest abroad may now invest upto US$ 100 Million on an annual basis through automatic route without being subject to the three year profitability condition, up from existing limit of US$ 50 million (Budget announcement 2002-03).

31. Indian Companies making overseas investment in joint ventures abroad by market purchases may now do so without prior approval upto 50% of their net worth, up from existing limit of 25% (Budget announcement 2002-03).

32. To induce more investment for R&D activities, a weighted deduction of 125% on the sums paid to any university, college or an institution or a Scientific research association for the purposes of scientific, social or statistical research is available.

33. For reduction of transaction time for export/import clearances, Ministry of Civil Aviation has finalised the scheme of "Known-Shippers' for doing away with the 24 hours cooling off period.

34. Two shifts have been introduced on week days and single shift on holidays at the Air Cargo Complexes at Mumbai, Kolkata, Chennai, Bangalore, Hyderadad, Delhi and Goa.

35. Information Technology Act 2000 dealing with Cyber Security, Cyber Crime and other information security related legal aspects is in place to encourage expasion of e-commerce through internet.

Bid for installation of telephones from MNCs and indigenous companies

2361. SHRI ANIL SHARMA: Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) what are the telecom circles for which bids were received from the multinational and Indian companies jointly some times before 1995 for undertaking installation of telephones as per provisions in the telecom policy;

(b) if so, the details of such bids;

(c) whether such action was repeated by the DoT; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRIMATI SUMITRA MAHAJAN): (a) to (d) After announcement of National Telecom Policy in May, 1994, the notice for inviting bids from Indian registered companies was issued for the first time in January, 1995 only for grant of licence for provision of Basic Telephone Service in Telecom Circles of Andhra Pradesh, Delhi, Gujarat, Karnataka, Maharashtra including Mumbai & Goa, Tamil Nadu including Chennai, Haryana, Kerala Madhya Pradesh including Chhattisgarh, Punjab, Rajasthan, Uttar Pradesh (West) including Uttranchal, Uttar Pradesh (East), West Bengal including Kolkata, Andaman & Nicobar, Assam, Bihar including Jharkhand, Himachal Pradesh, Jammu & Kashmir, North East and Orissa. 16 bidders submitted 81 bids for various telecom circles and no bid was received for Jammu & Kashmir Circle. It was followed by second and third rounds of financial bids in December, 1995 and March, 1996 respectively from among those bidders who had been technically and commercially declared eligible as a result of the said first round of the bidding process. Six licences were granted against the said tendering process in the Telecom Circles of Andhra Pradesh, Gujarat, Maharashtra, Madhya Pradesh, Rajasthan and Punjab.